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Reforming Federal Workforce Development Funding to Empower States

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TOPLINE POINTS

- The Workforce Innovation and Opportunity Act (WIOA) is the primary federal workforce development law, authorizing appropriations of more than $5 billion each year to states for workforce development and training.
- These funds trained 222,791 workers in fiscal year 2021, but recent studies and state audits have determined that most workers do not experience better pay or outcomes after participating in WIOA training programs.
- The program is riddled with layers of bureaucracy and inflexibility. In addition, states and governors often do not use WIOA funding to its full potential.
- Congress should make targeted reforms to improve WIOA, and governors should exercise their full authority to ensure that funds appropriated under the law are providing skills development and job training to as many workers as possible each year.

Introduction

The Workforce Innovation and Opportunity Act (WIOA) of 2014 is the Nation's largest federal workforce development program. Congress appropriates more than $5 billion for the core programs within the law every year, the majority of which is sent directly to states to be used for workforce training programs and services (Collins, 2022).

Employers, particularly those that require skilled employees, have continually highlighted the need for better workforce training programs in recent years. Since the

COVID-19 pandemic, workforce shortages have been further exacerbated as millions of employees have left the workforce. At 62.5 percent as of January 2024, the overall labor force participation rate is still below February 2020 levels, implying that 2.1 million workers are missing from the labor force (Ferguson & Lucy, 2024). The labor force participation rate for prime-age men, in particular, has been declining for decades (Federal Reserve Bank of St. Louis, 2024). In addition, many workers are rightly concerned that they may be displaced by automation, artificial intelligence, other technological innovations, a recession, or unfair trade practices. With so many workers on the sidelines and an uncertain future for many industries, America needs robust workforce development strategies at all levels of government.

While there is no silver bullet solution to all of these issues, workforce development and job training programs—at either the federal and state level—can play a part in easing workforce challenges. Unfortunately, WIOA provided training to only 222,791 workers in fiscal year 2021—not nearly enough to make a notable dent in the workforce shortage (U.S. Department of Labor, n.d.). Even more troubling, many workers did not experience better pay or outcomes after participating in WIOA-funded training.

State and local governments are best positioned to direct funding appropriately to achieve their workforce ends, so ideally, these activities would be managed outside of Washington, D.C. Any federal program, such as WIOA, will be most beneficial if Congress gives as much flexibility, authority, and decision-making power to the states as possible, rather than attempting to micromanage states' decisions.

The original 2014 WIOA legislation authorized the program through fiscal year 2020, and Congress has extended it through the annual appropriations process ever since, so the program is overdue for long-term reauthorization. Policymakers should take the opportunity to enact critical reforms and empower states to use these funds to their fullest potential. This report includes a brief overview of WIOA's programs and recommends steps that Congress and state leaders can take to use WIOA funds more effectively.

Overview of the Workforce Innovation and Opportunity Act of 2014

Congress enacted WIOA in 2014 to provide education and training services to prepare individuals for work and help improve their prospects in the labor market. WIOA replaced the Workforce Investment Act of 1998 (WIA) as the primary source of federal workforce development funding for states. Funds are used for career counseling, skills training in the classroom or on the job, job search assistance, and more.

WIOA contains five titles, but the largest programs are in Title I: three state formula grant programs for adult, youth, and dislocated workers, Job Corps, and other national programs. These programs are primarily run by the Employment and Training Administration at the U.S. Department of Labor (DOL).

During fiscal year 2022, Title I WIOA activities received $5.3 billion in total funding: $3.2 billion for adult, youth, and dislocated worker programs via state formula grants, $1.7 billion for Job Corps, and $360 million for national programs (Collins, 2022). Each state's share of the $3.2 billion is determined by various factors, including the state's unemployment rates for certain groups and the number of economically disadvantaged adults and youths.

Once the funds are disbursed to the states, the governor is permitted to set aside up to 15 percent of the state's formula allocation for the governor's reserve fund. The governor can reserve an additional 25 percent of the dislocated worker allocation for "rapid response" activities—i.e., a sudden plant closure or other emergency. The rest of the state's funds must be allocated to local workforce development areas, with the exception of the 10 states with single-state area (SSA) designation, which manage all the funds at the state level. No more than 5 percent of the governor's reserve fund may be used for administrative activities (Collins, 2022).

Once funds are distributed, WIOA career services are delivered through roughly 3,000 "one-stop centers" nationwide. A one-stop center is intended to be a central point at which an individual can participate in several government programs at the same time, receiving job search assistance and career counseling along with services from 19 other required programs. Ideally, an individual seeking employment could enter a one-stop center, meet with a career counselor, and receive an individualized employment plan that included all necessary services to get that individual stabilized and able to enter the workforce (interview prep, skills training, childcare, SNAP or TANF benefits, etc.). An eligible individual would receive a voucher through WIOA for job training from an eligible provider. The state manages an eligible training provider list (ETPL) that includes every eligible provider in the state, along with data on the provider's effectiveness, such as program completion rates and average salary of the occupation. While any individual is technically eligible for WIOA-funded services from eligible providers, certain groups—particularly low-income or skills-deficient individuals—must be prioritized.

To oversee the one-stop centers and manage the funding, governors appoint members to a state workforce development board (WDB), made up primarily of members of the business community and other stakeholders. In the 10 SSA states, the state WDB runs all WIOA programs and one-stop centers. The other 40 states have several local workforce development areas, each of which has its own local WDB that receives a portion of the state's WIOA funding. Local WDB members are appointed by the chief local elected official in the workforce development area (such as a mayor). Local WDBs oversee the operation of the one-stop delivery system in their areas.

State WDBs are required to develop a Unified State Plan (USP) that outlines the state's overall workforce development strategy, and local WDBs create local plans that indicate how they will support the state strategy. State WDBs and governors set the boundaries of local workforce development areas, with approval from DOL, disburse funds appropriately, track labor market trends, and more.

In summary, DOL provides funding to states through a set formula, and the states retain some of these funds and disburse the rest to local workforce areas. Together, the governor, the state WDB, and the local WDBs oversee all of WIOA's workforce development efforts statewide.

WIOA Pitfalls and Ideal Vision

WIOA is intended to be a flexible, employer-driven funding source for skills development and job training for all kinds of workers. Unfortunately, the program is, in some respects, reminiscent of New Deal-esque central planning—it has several layers of bureaucracy, overly proscribes and micromanages how states use the funds, and prioritizes narrow technical compliance over substantive, outcome-based accountability. State audits have found that the program is not effectively training the next generation of American workers. WIOA participants are not experiencing enough wage growth and career success to indicate that the current program has been a good use of taxpayer dollars. In addition, state ETPLs are unwieldy and difficult to navigate, making it harder for workers to find high-quality providers to give them in-demand skills.

To use WIOA to its fullest potential, Congress should turn all WIOA funding into block grants for states that can be used for any workforce development programs or needs without micromanagement from Washington. In exchange, governors would have the responsibility of proving the return on their investments, with clear consequences—such as reduced funding—for states that do not successfully get more people into well-paying, high-demand, fulfilling careers.

More broadly, policymakers can take additional steps to make WIOA more effective. State and local officials tasked with managing WIOA programs often point to a lengthy list of strings attached to their funds, a restrictive list of eligible uses for funds, a disconnect between state and local responsibilities, and a general inability to be creative, innovative, or strategic with their use of WIOA funds. WIOA currently incentivizes state and local employees to focus on meeting compliance requirements instead of connecting individuals to jobs. For example, one-stop centers are required to collect more than 30 pages of data on each participant in any WIOA program, and states spend much of their time creating "unified plans" for their funds that are more than 250 pages long and never used again. Congress has an opportunity to address these issues as part of a long-term reauthorization of WIOA.

Even without any changes from Congress, WIOA contains some flexibilities and powers that many governors and state WDBs are not using to their full advantage, often because of a concern about political feasibility or uncertainty about what is permitted under the law. Governors and states do have the ability right now to limit the number of eligible training providers to include only the best programs, hold local WDBs more accountable, and set state-specific priorities and metrics to meet their own workforce goals. They should take advantage of every policy lever available to use WIOA to meet their state's workforce needs.

Ultimately, maximizing the benefits of WIOA will require effort by Congress, governors, and state and local WDBs. Maximum flexibility paired with more accountability at all levels of the program can lead to more successful workforce development in the states.

WIOA: What Congress Should Do

The power of WIOA lies in the ability of governors and states to set targeted workforce development goals and use every tool at their disposal to achieve these goals. Unfortunately, the bureaucracy and central planning inclinations of the program hamper states' ability to do that. To empower states and localities to use WIOA to its fullest potential, Congress should make structural reforms to increase flexibility, improve outcomes, and better incentivize cooperation between state and local partners.

1. Rework State Funding Formula and Increase Flexibility

WIOA Title I provides formula funding to states for adult, dislocated, and youth worker programs. The formula for each program is primarily based on the state's unemployment rate for certain populations, along with each state's share of economically disadvantaged individuals. States with higher unemployment rates receive a higher share of funding in the formula. While it may seem reasonable to direct workforce development dollars to states with high unemployment rates, practically, this can reduce funding for states that need it most. Those with low unemployment rates have just as much, if not more, need for workforce dollars to attract and train new workers. Businesses in these states will need to contend with more severe workforce shortages. Together with state leaders, they will need to target untapped labor pools to meet employers' workforce needs, train low-skilled workers for higher-demand jobs, and think creatively about how to incentivize those on the sidelines to come back to work.

The current formula can also incentivize bad behavior. Some states may have high unemployment rates compared to other states due to poor choices by state and local leaders. In these cases, WIOA dollars may subsidize those choices instead of incentivizing states to enhance accountability by returning more individuals to work. For example, some states have a tax and regulatory environment that incentivizes businesses to relocate, which kills local jobs and removes opportunities for workers in these states. The COVID-19 pandemic also highlighted the impact of poor decisions at the state and local levels. Some states kept their communities locked down and paid workers more to stay at home than they could earn by getting a job, which kept their unemployment rate higher than the national average for many months after the pandemic had peaked.

Congress should adjust the WIOA funding formula to stop penalizing states with low unemployment rates and instead reward the states that are doing everything in their power to reduce unemployment and grow their economies on their own. This includes states that consistently improve their regulatory and tax policies and have a track record of success in creating jobs, increasing participation in the workforce, and reducing unemployment.

One option is for Congress to use the current formula to set a base amount of funding per state each year and then provide more funding to states that demonstrate success with their workforce development efforts. States that show an increase in their labor force participation rate, lower utilization of state welfare programs, a lower unemployment rate, or other positive workforce metrics would receive an additional portion of funds, while states that move in the wrong direction would see cuts in their funding. This would provide the right incentives for state workforce development strategies while preventing large swings in funding amounts from year to year.

In addition to adjusting the formula, Congress should give states more flexibility for the formula funding they receive. WIOA's core programs provide formula grant funding to states to train adult, dislocated, and youth workers, along with the Job Corps program and several national grant programs. Funds can also be used for support services for participants, such as transportation and childcare. Beyond Title I, WIOA authorizes funding for adult education and literacy programs, employment-related vocational rehabilitation services, and various other employee and employer services. While each of these programs is important to a state's overall workforce development strategies, the current law is overly prescriptive and does not allow states to consider their own unique needs or incorporate existing state-level programs.

Congress should make all WIOA Title I funding a block grant that states can use for any workforce development purposes, across demographic groups, industries, or communities. This would also enable states to invest regularly in technology upgrades and other services to support their programs, serve individuals in need regardless of the category into which they fall, provide support services, upskill incumbent workers, and help employers develop training programs, all on an as-needed basis, instead of focusing entirely on complying with WIOA's percentages and mandates. Further, this would incentivize career counselors and job offices to provide real services to individuals in need and achieve the goal of getting them a job.

The current strict requirements incentivize an emphasis on compliance rather than outcomes, such as allowing program officers to count simply handing out brochures as providing a service. DOL should use consistent, clear, simple metrics to measure effectiveness in the states—number of workers trained, job placement rates, and salary growth—and hold states accountable to these targets while giving states maximum flexibility to reach these goals however they see fit.

If a true block grant for WIOA funding is not feasible, Congress should give DOL significant authority to grant waivers of program requirements so that states at least have a path to use their dollars more creatively. One way Congress could do this is by creating an innovation demonstration authority for DOL, which would allow the agency to approve pilot programs, new ideas, and program restructuring by states and localities. This would empower state and local WDBs to think creatively as they work to address workforce issues in their communities.

Lastly, Congress should reduce both the number of and the funding for discretionary grant programs and should instead provide more funding through the formulas to ensure parity between small and large states. Small states often do not have the staff or resources to compete for discretionary grants, so many of these dollars end up going to the large states that are already receiving more of the funding. Formula funding is a more fair and balanced way to provide consistent workforce development dollars to states.

A few examples of the prescriptive requirements of WIOA are below, along with the potential benefits of allowing more flexibility through block granting and adjusting the funding formula.

- States receive a certain amount of funding for adult, dislocated, and youth employment activities. While local WDBs may transfer funding between adult and dislocated workers, youth and adult training must be kept separate.
    - A state with a robust program to serve adult and dislocated workers still has to use its WIOA dollars to serve this population even when it might find more traction by increasing its youth dollars.
    - Permitting total flexibility with Title I funds would allow states to approach their workforce development strategies more holistically, taking into account state programs, successful nonprofits, and others in workforce

development so they are not duplicating efforts and are getting the most out of their workforce dollars.

- Although any adult is technically eligible for WIOA services, certain groups must be prioritized. Local workforce staff often turn people away when they do not meet a "priority of service" demographic profile.
    - Allowing states to serve anyone looking for employment would be more effective and inclusive.
- Any local program for youth services must provide at least 14 different services mandated by WIOA to be eligible for funds, even if the services are not used.
    - Allowing a state to choose the services it needs to provide would be more efficient.
- The governor is required to reserve up to 15 percent of total funding from each of the three formula funding programs for statewide activities and up to 25 percent more from the dislocated worker funding for rapid response efforts—both of which include a list of activities required by law but also permit some discretionary activities.
    - The governor's reserve fund is an excellent tool, but staff in these offices turn over frequently and sometimes do not understand that these funds are available to them or for what they can be used. Carving out the governor's reserve as an explicit, separate block grant instead of including it as part of each formula funding program could help clarify this.
    - Increasing the amount of the governor's reserve fund would also allow more dollars to be strategically deployed by a state's chief executive to test new workforce development strategies, invest in state-led pilot programs and out-of-the-box solutions, and target the biggest workforce development needs statewide.

Mississippi

In 2020, Mississippi passed legislation to create a new workforce development agency (Mississippi Code § 37-153 and 71-5). The agency is known as Accelerate MS and aims to "align [the] state's educational, training, and economic development initiatives to better position and prepare Mississippi and Mississippians with more diverse, productive, and well-paying employment" (Corder, 2021). The agency works with the state's community college system, state and local WDBs, economic development entities, and more to unify the state's overall workforce development efforts.

The executive director of Accelerate MS is hired by the state WDB and answers to the board members as they develop the workforce development strategy for the state. This ensures that all workforce efforts across Mississippi are coordinated and aligned with the governor's vision, including the use of federal funding from WIOA and state funding from the legislature. If Congress sent all WIOA funding to states as one flexible block grant for all workforce programs, more states would be incentivized to unite funding streams and ensure all are working together.

2. Incentivize States to Integrate Education, Workforce, and Entitlement Programs

Although WIOA is the largest federally funded program dedicated exclusively to workforce development, it is far from the only source of federal workforce funding for states. Several programs at the U.S. Department of Education have workforce components, as do Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicaid, Community Development Block Grants, various programs through the Economic Development Administration at the U.S. Department of Commerce, and more throughout the federal government. Each of these programs provides funding through different federal agencies, which have different reporting requirements, strings, and other responsibilities. In most cases, each of those programs provides funding to a different state agency. This makes coordination at the state level difficult, as agencies may not be collaborating even as they serve the same individuals—or, in some cases, may not communicate at all.

In particular, there is a disconnect between workforce programs and safety net programs, which ought to work in tandem to provide essential services to low-income individuals while simultaneously putting them on a path to self-sustainment and success. WIOA requires state WDBs to pass most of their funds to local WDBs, despite the fact that SNAP, TANF, and most other programs are managed at the state level—ensuring that the two systems are not administratively integrated. Low-income and dislocated Americans looking for help are faced with the challenge of navigating multiple programs, systems, and case managers to seek help or find a job.

Congress should revise federal law to incentivize states to integrate their systems and increase efficiency, reduce redundancy and bureaucracy, and provide better service to their citizens. Co-location, cross-training, and IT system integration and data sharing between programs would go a long way toward achieving the goal of these programs: providing for the least in our society and setting them on a path to self-sustainment. Congress can achieve this by creating a state innovation demonstration authority within WIOA that allows DOL to grant states the ability to integrate all programs fully. Rather than sending funding for dozens of different programs to various state and local entities, this authority would permit states to funnel all funding through the same system, the same agency, and the same personnel. Rep. Burgess Owens (R-UT) has introduced legislation to do just that (Owens, 2023).

Utah

Utah’s workforce development integration is well known and is consistently held up as a model for other states to follow (Bishop, 2023). The state has fully integrated several federal programs—including WIOA, TANF, and others—to ensure that all workforce and safety net programs are working in conjunction with each other. All programs are housed under the state’s Department of Workforce Services. Individuals have one caseworker who can provide them with any safety net benefits they need, as well as job services and skills training. This allows caseworkers to look at each person holistically and enables individuals seeking assistance to get the help they need without navigating multiple state and federal programs.

Utah qualified for SSA designation under WIA, WIOA’s predecessor, and had this designation grandfathered in under WIOA, so the state is not required to create local WDBs. However, the state receives local input and assistance through local economic service areas created by the state. Utah has also developed a unique cost-allocation process that reduces bureaucracy and allows caseworkers to administer both workforce and safety net programs seamlessly. Congress should grant states the authority to follow Utah’s lead and achieve similar workforce success.

3. Improve Coordination Between State Agencies and Local Entities

WIOA appropriately aims to empower state and local governments to address their specific workforce goals, correctly recognizing that these entities know more about local needs than the federal government. WIOA dollars flow from the federal government to state governments, who then disburse the majority of the funding to local workforce development areas. State and local WDBs then work together to create state and local workforce development plans, set and track performance metrics, oversee one-stop service centers, and generally manage workforce development activities. In the 10 states with SSA designation, the state WDB manages all WIOA activities.

Table 1: Local Workforce Development Boards Per State

Alabama: 7	Louisiana: 15	Ohio: 20
Arizona: 12	Maine: 3	Oklahoma: 6
Arkansas: 10	Maryland: 12	Oregon: 9
California: 45	Massachusetts: 16	Pennsylvania: 22
Colorado: 10	Michigan: 16	Rhode Island: 2
Connecticut: 5	Minnesota: 16	South Carolina: 12
Florida: 24	Mississippi: 4	Tennessee: 9
Georgia: 18	Missouri: 13	Texas: 28
Hawaii: 4	Nebraska: 3	Virginia: 14
Illinois: 22	Nevada: 2	Washington: 12
Indiana: 12	New Jersey: 17	West Virginia: 7
Iowa: 6	New Mexico: 4	Wisconsin: 11
Kansas: 5	New York: 33	
Kentucky: 10	North Carolina: 20	

Table 1: Forty states have local workforce development boards (WDBs) that are responsible for managing most of a state's WIOA dollars. Ten states do not have local workforce development boards, and all WIOA activities are managed by the state workforce development board: Alaska, Delaware, Idaho, Montana, New Hampshire, North Dakota, South Dakota, Utah, Vermont, and Wyoming.

Unfortunately, particularly in larger states, the realities of state and local coordination can be difficult—due both to the political environment of each state and the layers of bureaucracy, which ensure that more dollars are spent coordinating government groups instead of providing job services. Governors and states can take several steps now to address these concerns, which are discussed elsewhere in this paper, but Congress has a role to play in providing states with options to better coordinate with local WDBs.

As with the integration of workforce and safety net programs, the best approach would be for Congress to direct DOL to treat every state as an SSA state without any requirements to have local WDBs. This is in line with the overall philosophy of allowing states maximum flexibility while holding them accountable for achieving the program's key purpose: providing workers the skills they need for in-demand jobs. For some states, this might include a certain number of local WDBs—but that decision should be up to each state, not bureaucrats in Washington, D.C.

In many cases, removing local WDBs would allow for less bureaucracy and more accountability with WIOA funding without losing local input. Most, if not all, state workforce development agencies already have local staff on the ground in communities across their states. In addition, local workforce development officials have two seats on each state's workforce development board. These provisions provide an appropriate level of knowledge of local needs and relationships with city officials to enable state WDBs to manage workforce development activities for the whole state. DOL's accountability metrics should include some requirement that states treat their rural areas fairly—not just focus on major urban centers—but otherwise, how states structure the delivery of job services should be up to them.

Congress should, at a minimum, allow states that currently do not qualify for SSA designation to apply to DOL to receive it, regardless of the state's population, and give DOL the authority to grant this application. Ideally, governors could be permitted to apply for SSA designation on their own and outline in the application why their state would benefit from this approach, their plans to maintain coordination as needed with local entities, and any anticipated cost savings. Alternatively, governors could be permitted to apply for this designation but be required to have the support of at least half of their current local workforce development boards to submit the application. In both cases, Congress must grant DOL the authority to approve such a waiver. Both options would at least create a path for state WDBs to better respond to the workforce needs of the entire state and hold local governments accountable for their own workforce development efforts.

As an alternative to changing SSA designation requirements, Congress should at least empower governors to redraw the lines of local workforce development areas at will to achieve better coordination or to recognize the realities of certain communities (i.e., population growth or decline, ineffective local leadership, entry or exit of new large employers in a community, etc.). Congress could require governors to explain their redrawing of lines to DOL and allow DOL a certain amount of time to review or reject the plan. An approval or no response from DOL would mean that the redrawing of the lines moved forward. This would enable governors and state WDBs to hold local WDBs accountable for meeting the workforce needs of their communities. While governors now have an option available to them to consolidate local WDBs, which is discussed later in this paper, that process is time-consuming and intensely political. Empowering governors to be more flexible with local boundary lines could ensure that WIOA dollars were better spent and local WDBs were accountable for their efforts.

4. Overhaul State Plan Requirements

As a condition of receiving WIOA dollars, state WDBs currently must submit an extensive state plan to the DOL every four years outlining their statewide workforce development strategies (Workforce Innovation and Opportunity Act (WIOA), Sec. 102). Because of WIOA's lengthy list of requirements for state plans, the plans have become overly burdensome compliance documents that do not guide workforce development efforts in reality.

State plans for even the smallest states are more than 250 pages long, reflecting attempts to address every piece of analysis the law requires. It can take months to put the plan together (U.S. Department of Education, n.d.). However, once the plan is completed, it is impractical and unrealistic for either DOL or state officials to use it to direct workforce efforts because it is long, prescriptive, and compliance-focused rather than outcome-focused. Many states spend thousands of hours and dollars to draft a plan that could otherwise be spent on training more workers.

Congress should remove this plan requirement and instead direct states to provide progress reports on their activities and evidence of their success to DOL. Proactive, lengthy reports do not allow states to be nimble and innovative in response to their workforce needs, and requiring states to spend any of their WIOA dollars paying consultants to draft lengthy plans that are rarely read and even less frequently referenced is a waste of time and funding.

Short of removing the state plan requirement entirely, Congress should reform the combined state plan (CSP) requirements to make it easier for state agencies to collaborate. While states have the option to submit a CSP in partnership with other state programs and entities, such as Career and Technical Education or SNAP and TANF benefit programs, deadlines for each of these programs are often staggered, making it difficult for state agencies to coordinate. Many state workforce agencies want to partner with their education, social services, or other agencies to develop a CSP that can best address the state's workforce development needs holistically, but some do not bother due to the mismatched timelines. Congress should allow states pursuing a CSP to align deadlines for each participating program to better incentivize programs to work together, either by setting the same deadline for all programs or allowing states pursuing a CSP to receive a waiver from various federal agencies to move their own deadlines.

5. Revise MOU and Funding Processes for One-Stop Centers

In addition to clarifying whether one-stop centers need to be physical or can be virtual, Congress should reform the memorandum of understanding (MOU) process currently required for WIOA programs, particularly the operation of a one-stop system.

Local WDBs are required to develop MOUs for all entities in their one-stop unit, including the relevant providers of the 13 program partners required by WIOA Sec. 121(b)(1)(B)and any other state-level programs or agencies they wish to include (particularly those listed by Sec. 121(b)(2)(B)). The MOU outlines the services each entity will provide, the division of costs for operating the one-stop center, and more.

While in theory, this sounds like an appropriate way to fairly and evenly split the costs of maintaining the center, in reality, this process leads to months of negotiations and debate about who should pay for what and how services should be delivered—time that could be spent helping individuals find jobs.

Congress should consider two ways to improve the MOU and funding process. First, Congress should permit states to pursue innovative cost allocation models that streamline reporting and data requirements and reduce redundancies among state and local partners. Granting DOL innovation demonstration authority, as mentioned earlier in this paper, would create opportunities for states to test new cost allocation structures and streamline reimbursement process requirements with federal agencies.

In addition, Congress should allow local WDBs to fund any physical one-stop centers in any way that makes the most sense for the individual center. In many cases, local WDBs have the funding and ability to manage the costs themselves. In other cases, the local WDB should have the authority to determine how best to divide costs between partners without mandates from WIOA. The current process is another example of WIOA dollars funding bureaucracy rather than workforce development services.

6. Limit Workforce Board Size and Provide Flexibility for Appointments

WIOA's requirements for state and local WDBs have led to the creation of large and unwieldy boards with significant responsibilities to deploy and oversee the use of the state's WIOA dollars. State WDBs include a minimum of 33 individuals, and each local WDB includes at least 19. These groups must work together on state and local plans, the management of the one-stop system, the designation of local workforce development areas, and more. The large size of these boards makes it difficult to reach a consensus on how to manage WIOA dollars and can slow down the deployment of the funds. Some states have laws preventing virtual meetings, too, and can have difficulty reaching a quorum of members to meet in person.

Table 2: Workforce Development Board Composition

State Board Membership

- Governor (1)
- State Legislators (2)
- Elected Local Officials (2)
- Workforce Representatives (7)
  - Labor (2)
  - Apprenticeship programs (1)
- Staff from Core Programs (4)

The majority of the full board must be made up of private industry officials, so 17 business representatives must be included.

Total: 33 Members

Local Board Membership

- Education & Training Organizations (2)
- Governmental & Economic Development Officials (3)
- Workforce Representatives (4)
  - Labor (2)
  - Apprenticeship programs (1)

The majority of the full board must be made up of private industry officials, so 10 business representatives must be included.

Total: 19 Members

Table 2: Per WIOA requirements for state and local board membership, the minimum size of a state board is 33 members, and the minimum size of each local board is 19 members (Collins, 2022)

To resolve this bureaucracy while ensuring that boards remain industry-directed and accountable to the business community, Congress should allow governors and local elected officials to nominate individuals to their WDBs who can check two required membership boxes at the same time. For example, a small business owner who also runs an apprenticeship program could be both a representative from the business industry and a representative from an apprenticeship program on a state WDB. This would allow WDBs to have fewer members while maintaining the same amount of experience and insight.

More broadly, Congress should consider removing some of the requirements for WDB members entirely to reduce the size of the board further. A large board requires extra time, more compliance work, and personality management, which contributes to the reality that WIOA dollars are often used inefficiently.

7. Reduce Burdensome Data Collection Requirements

WIOA is filled with overly burdensome data collection requirements for providers and states. To ensure that more WIOA dollars are spent on skills training instead of on compliance, Congress should streamline data collection requirements.

Congress should limit the amount of information states are required to collect and report about WIOA participants to only the key metrics that make up the purpose of WIOA:

whether the WIOA participant is employed, how much the individual is earning now compared to previously, and in what industry the individual is working. The current Participant Individual Record Layout (PIRL), which is the document states must fill out to report outcomes for those trained through WIOA funding, is too large and cumbersome. At 31 pages, it requires an unnecessary amount of information for each WIOA participant (Office of Management and Budget, 2021).

While many of the data points throughout the PIRL are defensible in a vacuum, mandating this much information on each participant requires state and local officials to spend significant time on data collection instead of job services. WIOA exists to help connect workers to jobs—so the only data states should be required by Congress to track are the few metrics directly related to whether WIOA services help a worker find a job. States, then, have the responsibility to determine what information they need from the eligible providers to ensure that they are meeting expectations and providing high-quality training to participants.

WIOA: What Governors and States Should Do

Even if Congress takes no action to reform WIOA, states and governors can better use WIOA dollars today. While making the most of these dollars requires political willpower and strong leadership, the program contains some flexibility to help every state meet its workforce development goals.

1. Audit WIOA Providers and Programs

To start, governors or state legislatures can order an audit of all WIOA providers and programs and any use of WIOA dollars at both the state and local levels. The state auditor's office or a third-party auditor could complete this process and provide a foundation on which governors and states could base future WIOA reforms.

The auditor should consider the effectiveness of the state and local WDBs, including the number of workers who received training, those workers' job status and income levels, how many providers are part of the ETPL and how well each one is delivering services, what percentage of state and local WIOA dollars are going toward compliance instead of job training, amount of traffic at physical one-stop locations, how well the various workforce and safety net programs in the state work together, including any duplication of work across programs or contradictory recommendations made by each program's staff—and any other information that could be helpful in determining how the state could best spend their WIOA dollars.

Most recently, in 2022, Louisiana's state legislature passed a resolution (H.R. 184, 2022) calling for an audit of all WIOA programs. The resulting report found that the majority of participants did not find jobs related to their WIOA-funded training, and the majority of those who found employment were not paid any more than before they had received training (Louisiana Legislative Auditor, 2023). The report also included several recommendations for the state to improve its programs.

Other states have audited their programs and made improvements as a result. Utah led the way, completing an audit in 1992 and fully integrating all its workforce, employment, and training programs over time (Bishop, 2020). Vermont's audit in 2021 concluded that a notable percentage of participants did not complete their WIOA training, and even many who completed it did not achieve higher earnings (Hoffer, 2021). These reports can provide a roadmap for states to identify their pain points and make reforms accordingly.

2. Limit the ETPL to High-Quality Providers and Upgrade ETPL Technology

Nationally, more than 7,000 eligible training providers and more than 75,000 eligible programs are on state ETPLs, the lists that determine where workers can use their WIOA funds (Deming et al., 2023). For an organization to become an eligible provider and remain on the ETPL, it must meet criteria established by the governor of each state and provide required information to the state regularly. Each state publishes its ETPL online for workers to access. Local WDBs may also establish procedures that eligible providers must follow and set limits on the type and duration of training eligible individuals undertake.

With only around 220,000 workers (U.S. Department of Labor, 2022) trained by WIOA annually, thousands of eligible providers are training zero or very few workers or not delivering appropriate results, and efficiencies of scale are not being realized in the delivery of job training services. In addition, many providers routinely do not provide the information required to the state to remain eligible (Deming et al., 2023).

Governors currently have both the authority and the responsibility to set minimum criteria for provider eligibility and cull their ETPLs significantly to ensure that only those that are the best at training individuals for high-paying, in-demand jobs remain. States should also closely track training outcomes, job placement success, and salary levels for participants, removing any providers who repeatedly fail to meet expectations. While this step requires some political willpower on the part of a state's executive, when done well, it could result in more effective use of a state's WIOA dollars by providers with a proven track record of success. A short, well-vetted ETPL would guide workers to higher-quality providers and create less work for state workforce development officials and local WDBs, who would no longer have to manage a long and unwieldy list of providers.

In addition, states should use their WIOA funds or even appropriate state funds to upgrade their ETPLs to create a better experience for workers. Many state ETPLs are difficult to find on state websites and formatted confusingly—in part due to pressure to meet WIOA's compliance requirements and in part from a lack of funding (New York State Department of Labor, n.d.; Maryland Workforce Exchange, n.d.; DC Workforce Investment Council, 2022; CareerSource Research Coast, 2024). States should invest the time, effort, and dollars into creating a short, high-quality, easy-to-access, and easy-to-understand online ETPL that could more effectively guide workers to training providers that will boost their job prospects and future incomes.

3. Use Discretionary Funds to Their Full Potential

As part of their state's allocation of WIOA formula funds, governors can withhold up to 15 percent of total funding for adult, youth, and dislocated worker programs for statewide activities. Governors can also withhold an additional 25 percent of the dislocated worker fund for rapid response activities. Governors are required to complete some mandatory administrative tasks with these funds, such as maintaining the ETPL, but they may also allocate funds toward eligible activities that support their own priorities.

Governors should take full advantage of this reserve fund to advance workforce development needs in their states. Eligible activities for the discretionary fund include:

- Creating a grant program for local entities and disbursing funds to those with a history of placing trainees in high-paying jobs within their field.
- Funding research related to improving workforce development efforts.
- Supporting the development of pilot projects to meet workforce needs.
- Improving financial literacy among youth and adult workers.
- Providing technical assistance for workforce programs, officials, and staff.

This funding can be directed toward youth, adults, dislocated workers, or a combination of the three. There are no limits on where in the state these dollars can be deployed. This is one of the biggest tools at a governor's disposal within WIOA, and the governor's offices should be using this funding to the fullest extent permitted.

Mississippi

Mississippi Governor Tate Reeves used dollars from the WIOA governor's reserve fund to create the state's career coaches program. The program places coaches in school districts to help set students on a path toward a quality career—whether that includes a four- or two-year college program, shorter-term training, an apprenticeship, or direct employment. After seeing the program's success in a handful of communities, the state legislature provided an additional $8 million and then $12 million more to expand it to more school districts (Accelerate Mississippi, n.d.). Coaches have helped students apply to and attend college, connected students with local employers in fields of interest, and assisted students in finding and completing certification programs in industries like welding, truck driving, and coding (Mississippi Economic Development Council, 2023).

Governor-Directed Grant Programs

Several states have taken advantage of the governor's reserve fund to deploy grants to programs, employers, or educational facilities. Governors can use these grant programs to provide targeted funds to advance their top workforce priorities.

One round of grant funding deployed by the Mississippi governor's office focused on STEM and robotics programs, as well as on work-based learning opportunities for youth (Mississippi Department of Employment Security, 2022). Virginia used its governor's reserve to make grants to a wide variety of providers for youth outreach and marketing, transportation to and from job sites, soft skills training, and more (Virginia Career Works, 2023). The Texas Workforce Commission combined its WIOA governor's reserve fund with some Temporary Assistance for Needy Families (TANF) funds and Adult Education and Family Literacy Act state leadership funding to make grants in support of veterans workforce initiatives, STEM programs, and youth-focused efforts (Texas Workforce Commission, 2021).

4. Set State-Specific Priority Service Groups

Although all individuals are technically eligible for services under WIOA, the law requires states to prioritize veterans and their spouses, those who receive public assistance, low-income individuals, and those who are deficient in basic skills (such as English language learners) (U.S. Department of Labor, 2020). This means that states are required to provide at least 50.1 percent of all services to individuals within these groups.

However, governors also have the ability to set additional priority service groups. This could include workers leaving particular industries, as well as individuals with disabilities, seniors, young people, prime-age men who have left the workforce, or other target demographics, industries, or special classes. After the governor sets priority groups, local WDBs have the responsibility of meeting these targets through the one-stop delivery system. Setting state-specific priorities is another way to make sure WIOA dollars are used for the most in-demand professions in their states or for the demographics most in need of skills training and career counseling.

Governors should determine their priority service groups and communicate with state and local WDBs to ensure that a process is put in place to prioritize these individuals. This is another way the state can hold local WDBs accountable for their WIOA services.

5. Determine How to Provide One-Stop Services Efficiently

While Congress should clarify WIOA to ensure the law allows states and localities to deliver many one-stop services online, in the meantime, state and local WDBs have options to cut back on costly physical one-stop locations.

First, state and local WDBs should review all one-stop service locations and partner providers in their areas and analyze the costs and outcomes of each entity. Officials can use this information to determine how to improve efficiency and reach more workers.

After this review was complete, states would have several options to improve efficiency. To start, state and local officials should revise the metrics for one-stop centers and providers to ensure that the focus is exclusively on placing individuals in jobs—not handing out brochures or talking to individuals at job fairs.

In addition, state and local WDBs should consider co-locating one-stop services with other entities, such as higher education establishments, nonprofit organizations, local chambers of commerce, businesses, or others who wish to host the required workforce development programs, which is currently allowed by WIOA (Collins, 2022). These entities must be designated or certified by the state or local WDB, but this can be a mechanism for states to save costs for one-stop centers and more strategically reach workers where they are.

Finally, state and local WDBs should also consider which services could be better delivered online. If a local workforce development area has more than one physical one-stop location, any additional locations could be moved online under current WIOA law, which only requires one physical location per local workforce area. If states want to go further and move all one-stop services online for some local areas, WDBs should submit their plan to DOL and challenge them to deny the request. If DOL approves the plan, then states will be well on their way to providing WIOA services more efficiently and effectively. If DOL denied the plan, Congress would have a clear example of action they needed to take to improve WIOA and enable more one-stop services to be provided in a way that meets job seekers where they are.

6. Hold Local Workforce Development Boards Accountable

Congress should empower states to better manage locally directed WIOA funds by granting SSA status to all states and allowing maximum flexibility to deliver local services as the states see fit. Even under current WIOA law, however, governors have some ability to hold local boards more accountable. Much like the federal government should provide flexibility and accountability to the states, governors and states should empower local WDBs while holding them accountable through clear metrics—and pursuing reorganization or consolidation of ineffective WDBs if needed.

To start, governors should make their priorities clear to their state WDB so that the board can advance the governor's goals at the state level. This could take the form of a letter, a plan, or other formal documentation that instructs the WDB about statewide workforce development needs and corresponding goals to meet those needs. The goals should be backed by data, tangible, and measurable, and governors should work closely with private industry when developing their goals.

Next, governors can, in conjunction with state WDBs, set additional performance metrics and standards for WIOA programs and training providers (WIOA Sec. 101(d)(4)). This could help ensure that local WDBs and providers were meeting higher standards of success and that only the best providers were part of the ETPL. When distributing funds to local WDBs each year, governors could also establish alternative funding formulas with different criteria, ensuring that a higher portion of dollars are going to where they are most needed (WIOA Sec. 101(d)(9)). Alternative formulas could include or more heavily emphasize areas with persistently higher poverty, unemployment rates, or other metrics that require more targeted workforce development funding.

Governors could also consider beginning to redraw the boundary lines of local workforce development areas in the state—and consolidating if appropriate—which would reduce the overall number of local WDBs. Each local WDB has similar responsibilities, so consolidating or reducing the number of boards could help achieve administrative efficiencies and improve coordination across regions. While governors cannot change these lines overnight, a process is in place now for governors and state WDBs to review local areas, evaluate how well they have met performance requirements, and make a recommendation to DOL to change the boundary lines of a local board's area of jurisdiction and the number of local boards overall. This can take several years and significant political willpower, but it is still an option for governors to pursue now to ensure that ineffective local WDBs are held accountable for their use of funds.

At least two states have taken steps to reduce the overall number of local WDBs. Iowa proposed a reduction in 2019 to take its total number of boards from 15 to 6, and this plan was finalized in 2023 (Iowa Senate, 2019). Florida is in the process of reducing their 24 local WDBs to 21 overall (CareerSource Florida, 2023). While this process can be challenging, in the long run, it can help ensure that WIOA dollars are being spent the most effectively to train and employ workers—particularly when paired with other reforms, like expanding access to online services and adjusting funding formulas to direct dollars appropriately.

7. Change State Laws to Allow for Virtual Meetings

Many states still have laws requiring meetings of state boards to be held in person. This requirement is outdated in the modern economy, particularly post-COVID-19, and it limits the pool of candidates from which governors can choose to fill state and local workforce board seats to those who have the time and flexibility to travel to meet. While these state laws affect all of a state's boards and commissions, they are a particular issue for WIOA state and local WDBs, the smallest of which have 33 or 19 members, respectively.

The time and administrative dollars spent coordinating the schedules of so many people to meet in person could be better spent on skills training, career counseling, or other services that match workers with open and in-demand jobs. While this step is not directly related to WIOA, it is an excellent way to improve efficiency and expand opportunities for state government processes in general. Workforce development programs would benefit as a result.

8. Leverage WIOA Outreach Opportunities

States have been hesitant to use WIOA dollars for outreach, in part due to a misconception that this is not an allowable use of funds and in part because WIOA funds are so limited. However, developing a strategic and comprehensive advertising and marketing plan could ensure that more state residents were aware of the benefits of WIOA programs, and promoting training programs, apprenticeship opportunities, and top career paths is a key component of overall workforce development efforts.

A September 2023 Training and Employment Guidance Letter from DOL specifically states that WIOA funds can be used for advertising and public relations activities to promote awareness of WIOA training programs and services (DOL, 2023). To leverage these dollars even further, state and local WDBs should also consider partnering with local entities, such as employers, chambers of commerce, or economic development organizations, to match any marketing dollars from WIOA and magnify advertising and public relations efforts even further.

Conclusion

WIOA is the largest single source of federal funds for workforce development for states and localities, and reforming and reauthorizing the program is a necessary step in achieving the Nation's workforce development goals. Congress, governors, and state and local WDBs, as well as other partners and stakeholders, must work together to ensure WIOA dollars are being used as efficiently and effectively as possible.

Reauthorizing and fully leveraging WIOA is only the first step for workforce development in the United States. According to the Government Accountability Office, 43 different programs across the federal government had some kind of workforce development component in 2019 (Government Accountability Office, 2019)—and this was before the passage of the CHIPS and Science Act, the Inflation Reduction Act, and the Infrastructure Investment and Jobs Act, all of which contain some workforce development funding and provisions. Most of these programs operate in their own silos, with no clear requirements that they coordinate with each other or avoid unnecessary duplication of efforts. All federal policymakers in the legislative and executive branches should work to improve coordination on workforce issues across the federal government by combining or eliminating unnecessary programs and requiring communication and cohesion across the more effective ones.

More broadly, policymakers at all levels must think about workforce development holistically, taking into account the needs of every stakeholder—workers, incumbent workers in need of upskilling, youth workers, senior workers, large employers, small businesses, state governments, and local governments—along with tangential but related issues, like a lack of affordable housing, childcare shortages, and transportation limitations. America First policies aim to empower workers by reducing unnecessary regulatory and financial barriers to work, destigmatizing vocational education, and facilitating access to reskilling opportunities that enable lifelong learning. These policies emphasize the value of hard work and help all Americans find careers that work best for themselves, their lifestyles, and their families.

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